

Docket:	:	<u>A.18-09-002</u>
Exhibit Number	:	<u>                    </u>
Reference Number	:	<u>Cal Advocates-02</u>
Commissioner	:	<u>M. Picker</u>
ALJ	:	<u>R. Haga</u>
Witnesses	:	<u>S. Logan</u>



**PUBLIC ADVOCATES OFFICE**  
**CALIFORNIA PUBLIC UTILITIES COMMISSION**

**Prepared Testimony  
on the Application of  
Southern California Edison Company  
for Approval of Its Grid  
Safety And Resiliency Program (GSRP)**

San Francisco, California  
April 23, 2019

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1     **I.     INTRODUCTION AND SUMMARY**

2             This exhibit presents the cost recovery recommendations of the Public Advocates  
3     Office (Cal Advocates) regarding Southern California Edison Company's (SCE or  
4     Applicant) Grid Safety and Resiliency Program (GSRP) Application (A.) 18-09-002 ,  
5     submitted September 10, 2018.

6             Cal Advocates recommends that:

- 7             1. The GSRP revenue requirement and the associated costs continue  
8             to be recorded in the GSRP Memorandum Account (GSRPMA);
- 9             2. Upon approval of the GSRP budget, SCE should transfer the  
10            GSRPMA recorded costs to a one-way balancing account to  
11            allow recovery in distribution rates of the GSRP revenue  
12            requirement through 2020;
- 13            3. At the end of 2020, any revenue requirement associated with  
14            unspent GSRP funding should be credited back to ratepayers  
15            through distribution rates;
- 16            4. If SCE must incur costs beyond the authorized GSRP budget  
17            before the end of 2020, it may record those costs in a  
18            memorandum account and seek recovery in its Test Year 2021  
19            General Rate Case (GRC);
- 20            5. The review of GSRP costs forecast in the 2021 GRC should be  
21            coordinated with a review of this application's 2018-2019  
22            recorded costs and program results to the greatest extent  
23            practical;
- 24            6. The reasonableness review of recorded 2018-2020 GSRP costs  
25            should be conducted following a Tier 3 advice letter filing;
- 26            7. The reasonableness review filing should include a showing that  
27            2018-2020 recorded costs are incremental to SCE's 2018 GRC  
28            adopted costs and revenue requirement and any incremental  
29            spending associated with the 2019 Wildfire Mitigation Plan;
- 30            8. Traditional reasonableness review standards should apply; SCE's  
31            proposed reasonableness threshold should not be adopted.

32  
33             Cal Advocates cost recovery recommendations are discussed further in Section III.  
34     below. The recommendations should apply to the GSRP budget adopted by the

Commission, whether SCE’s proposed budget, or one modified as a result of this proceeding. Section II provides an overview of SCE’s proposed program costs.

## II. GSRP PROGRAM COSTS

Table 1 presents SCE’s forecast of capital expenditures for the GSRP program period 2018-2020:

**Table 1: GSRP Capital Forecast (2018 Constant \$000)<sup>1</sup>**

Line	Description	2018	2019	2020	Total
1	<b>Grid Hardening:</b>				
2	Wildfire Covered Conductor	33,396	45,979	204,927	\$ 284,842
3	Remote-Control Automatic Reclosers	0	8,789	18,076	\$ 26,864
4	Fusing Mitigation	11,923	44,949	9,362	\$ 66,235
5	<b>Total Grid Hardening</b>	<b>\$ 45,859</b>	<b>\$ 99,716</b>	<b>\$ 232,365</b>	<b>\$ 377,941</b>
6	<b>Enhanced Situational Awareness:</b>				
7	HD Camera	1,123	2,272	741	\$ 4,136
8	Weather Station	1,066	5,922	6,345	\$ 13,334
9	Advanced Mod. Comp. Hard.	2,943	3,722	1,330	\$ 7,995
10	Asset Reliability & Risk Anal.	3,380	505	0	\$ 3,885
11	<b>Tot. Enhanced Sit. Aware.</b>	<b>\$ 8,512</b>	<b>\$ 12,421</b>	<b>\$ 8,416</b>	<b>\$ 29,349</b>
12	<b>Capital Total</b>	<b>\$ 54,371</b>	<b>\$ 112,137</b>	<b>240,781</b>	<b>\$ 407,290</b>

<sup>1</sup> SCE Testimony (September 10, 2018) p. 27, Table II-4.

Table 2 presents SCE's forecast of operational and maintenance expenses for the program period 2018-2020:

**Table 2: GSRP O&M Forecast (2018 Constant \$000)<sup>2</sup>**

Line	Description	2018	2019	2020	Total
1	<b>Grid Hardening:</b>				
2	Wildfire Covered Conductor	747	951	4,201	\$ 5,899
3	Remote-Control Automatic	845	457	371	\$ 1,673
4	Fusing Mitigation	271	2,640	21,138	\$ 24, 049
5	<b>Total Grid Hardening</b>	<b>\$ 1,862</b>	<b>\$ 4,049</b>	<b>\$ 25,710</b>	<b>\$ 31,621</b>
6	<b>Enhanced Situational Awareness:</b>				
7	HD Camera	618	2,572	3,197	\$ 6,387
8	Weather Station	142	631	1,200	\$ 1,973
9	Advanced Weather Mod. Tool	384	604	604	\$ 1,592
10	Advanced Mod. Comp. Hard	50	120	120	\$ 290
11	Asset Reliability & Risk Anal.	7	9	0	\$ 16
12	Additional Staffing Required	115	480	480	\$ 1,074
13	<b>Tot. Enhanced Sit. Aware.</b>	<b>\$ 1,317</b>	<b>\$ 4,416</b>	<b>\$ 5,600</b>	<b>\$ 11,333</b>
14	<b>Enhanced Operational Practices:</b>				
15	Vegetation Management	-	40,148	77,921	\$ 118,069
16	Infrared Inspection Program	-	459	459	\$ 918
17	PSP Prot. Supp. Func.	3,165	3,497	3,497	\$ 10,159
18	Mobile Generator Deployment	137	137	137	\$ 411
19	Portable Comm. Pow. Trailers	1,102	9	9	\$ 1,120
20	<b>Total Enhan. Oper. Pract.</b>	<b>\$ 4,404</b>	<b>\$ 44,249</b>	<b>\$ 82,023</b>	<b>\$ 130,676</b>

<sup>2</sup> SCE Testimony (September 10, 2018) p. 27, Table II-4.

21	Wildfire Mit. Prog. Study	\$ 512	\$ 521	\$ 380	\$ 1,413
22	<b>O&amp;M total</b>	<b>\$ 8,095</b>	<b>\$ 53,235</b>	<b>\$ 113,712</b>	<b>\$ 175,042</b>

SCE forecasts \$407.3 million in capital expenditures, and \$175.0 million in operational and maintenance expenses for the GSRP. Based on the review contained in CalPA-01, Cal Advocates accepts SCE's forecast.

Based on these forecast costs, SCE estimates a GSRP total revenue requirement of \$229.1 million.<sup>3</sup> This revenue requirement will need to be updated once there is a final decision in this proceeding, the 2018 GRC proceeding, and all other proceedings that provide inputs into the revenue requirement. These inputs include rate of return, depreciation rates, labor loadings, and others.

### **III. COST RECOVERY**

#### **A. Discussion of Cost Recovery**

This section discusses Cal Advocates cost recovery recommendations.

##### **1. The GSRP revenue requirement and the associated costs should continue to be recorded in the GSRP Memorandum Account (GSRPMA).**

The GSRPMA was approved in Decision (D.) 19-01-019. As with all memorandum accounts, the establishment of the GSRPMA did not provide approval of GSRP costs but approval to establish a memorandum account for GSRP.<sup>4</sup> The GSRP revenue requirement will not begin collection in rates until there is a final decision in this proceeding and the estimated costs are incorporated into the revenue requirement.

In compliance with D.19-01-019, SCE submitted Advice Letter 3950-E on February 8, 2019 in order to establish the GSRPMA. SCE states that the GSRPMA will not formally be established until the Commission approves the advice letter.<sup>5</sup> Because

<sup>3</sup> SCE Testimony (September 10, 2018) p. 154, Table V-31.

<sup>4</sup> D.19-01-019, Conclusion of Law 2.

<sup>5</sup> Data Response CalPA-SCE-008 Question 1a.

1 the advice letter is pending before the Commission, SCE has only manually aggregated  
2 GSRP costs incurred since September 10, 2018 on an ad hoc basis.<sup>6</sup> SCE's template of  
3 the GSRPMA attached to the advice letter is blank for all entries.

4 Cal Advocates concludes that the blank entries do not meet the intent and spirit of  
5 D.19-01-019, where the Commission states: "Southern California Edison Company shall  
6 serve monthly reports providing full and complete accounting of amounts recorded in the  
7 Grid Safety and Resiliency Program Memorandum Account."<sup>7</sup> SCE's first monthly  
8 report contains blank entries for the memorandum account, yet reports \$65 million and  
9 \$4.2 million in spending-to-date for capital and operations & maintenance, respectively.<sup>8</sup>  
10 Cal Advocates recommends these monthly reported expenditures should be treated as the  
11 recorded GSRPMA costs.

12 SCE states: "Beginning in 2019, SCE requests to include in distribution rates a  
13 forecast of GSRP revenue requirement for each year until the time these revenue  
14 requirements are included in SCE's 2012 GRC."<sup>9</sup> Cal Advocates concludes that this  
15 request is now moot, given the approval of the GSRPMA. The GSRP costs incurred  
16 between September 10, 2018 and a final decision in this proceeding should continue to be  
17 recorded and reported in the GSRPMA.

18 **2. Upon approval of the GSRP budget, SCE should**  
19 **transfer the GSRPMA recorded costs to a one-way**  
20 **balancing account to allow recovery in distribution**  
21 **rates of the GSRP revenue requirement through**  
22 **2020.**

23 SCE requests two-way balancing account treatment of GSRP costs and revenue  
24 requirements upon a final decision in this proceeding.<sup>10</sup> SCE argues that this proposed

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<sup>6</sup> Data Response CalPA-SCE-008 Question 1a.

<sup>7</sup> D.19-01-019, Ordering Paragraph 5.

<sup>8</sup> SCE's February 2019 Grid Safety and Resiliency Program Report dated March 22, 2019, Attachments.

<sup>9</sup> SCE Testimony (September 10, 2018), p. 151.

<sup>10</sup> SCE Testimony (September 10, 2018), p. 149.

1 ratemaking treatment will provide no more and no less than the reasonable revenue  
2 requirements associated with GSRP costs.<sup>11</sup> Two-way balancing account treatment  
3 allows the utility to overspend (an “under-collection”) above authorized budgets and have  
4 the revenue requirement “trued-up” in the next ratemaking cycle. Similarly,  
5 underspending (an “over-collection”) would have the unspent revenue requirement  
6 credited back to ratepayers in the next ratemaking cycle.

7 Cal Advocates recommends one-way balancing account treatment, for several  
8 reasons. First, capping the spending at the authorized budget will exert more discipline  
9 over program spending than two-way treatment would. As many of the GSRP activities  
10 are new or relatively untested, an extra level of discipline is warranted.

11 Second, as discussed below, if additional spending above the authorized level  
12 occurs, those costs can be tracked and recorded in a memorandum account for potential  
13 recovery. This is effectively the same flexibility as two-way balancing account treatment  
14 if certain program activities need to be ramped up prior to the next funding opportunity,  
15 while also protecting ratepayers if the utility spends less money.

16 Finally, SCE is expected to file its 2021 GRC application in September of 2019.  
17 The forecast of GSRP activities in that application will be the next phase of the activities  
18 forecast in this application. Based on experience, some activities may need to ramp up,  
19 and some may need to ramp down. The GRC application should reflect that experience  
20 and lessons learned from current activities and will provide the opportunity for SCE to  
21 update its forecasts for those activities.

22 **3. At the end of 2020, any revenue requirement**  
23 **associated with unspent GSRP funding should be**  
24 **credited back to ratepayers through distribution**  
25 **rates.**

26 Returning unspent revenue requirement to ratepayers is consistent with one-way  
27 balancing account treatment. It builds in protection for ratepayers by reducing the risk of  
28 over-forecasting the revenue requirement in this proceeding.

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<sup>11</sup> SCE Testimony (September 10, 2018), p. 150.



1                   **4. If SCE believes that spending beyond the**  
2                   **authorized GSRP budget is necessary before the**  
3                   **end of 2020, it may record those costs in a**  
4                   **memorandum account and seek recovery in its 2021**  
5                   **GRC.**

6                   This should provide SCE with the flexibility it may need before the 2021 GRC is  
7                   adopted. The 2021 GRC will be litigated during 2020, and the available data will be  
8                   based on 2018 and 2019 results. If there are activities that warrant more spending than is  
9                   authorized by this proceeding and are considered urgent, then SCE can open a new  
10                  memorandum account authorized in this proceeding to record and later seek recovery of  
11                  those costs. For consistency and ease of processing, the 2021 GRC proceeding should be  
12                  used for that cost recovery filing and reasonableness review. Though it may occur  
13                  relatively late in the proceeding's schedule, that would be preferable than to opening a  
14                  new proceeding.

15                   **5. The review of GSRP costs forecast in the 2021 GRC**  
16                   **should be coordinated with a review of this**  
17                   **application's 2018-2019 recorded costs and**  
18                   **program results to the greatest extent practical.**

19                  As discussed above, SCE will submit monthly reports on GSRP program activities  
20                  and costs. Those reports should serve as the basis of the review of the 2021 GRC  
21                  forecast. Interested parties will be conducting their review for the GRC during the late  
22                  2019 and early 2020 time period. SCE should submit to the GRC proceeding, a  
23                  comprehensive report on all 2018-2019 GSRP activities in early 2020. The decision in  
24                  this proceeding should provide an order that requires such a submittal to the 2021 GRC  
25                  and that the GRC schedule should accommodate the interested parties in their review and  
26                  preparation of testimony. Given SCE's use of the GSRP in the 2019 Wildfire Mitigation  
27                  Plans (WMP), this data will need to be included in their WMP 2020 compliance review,  
28                  so there is little to no duplication of the necessary work for SCE.

1                   **6. The reasonableness review of recorded 2018-2020**  
2                   **GSRP costs should be conducted following a Tier 3**  
3                   **advice letter filing.**

4           SCE requests that the GSRP costs and balancing account entries be reviewed in  
5 the annual Energy Resource Recovery Account (ERRA) proceedings. Cal Advocates  
6 concludes this is neither reasonable nor practical. It is not reasonable because the  
7 interested parties and experts in this proceeding likely do not participate in ERRA  
8 proceedings. It is not practical because SCE's proposal could involve three different  
9 ERRA proceedings (2018, 2019 and 2020), and none of those would be well suited to  
10 conduct a comprehensive review of GSRP activities. A Tier 3 advice letter filing, the  
11 highest standard of review for an advice filing, is likely the best suited process for a  
12 reasonableness review of the GSRP. Alternatively, a new application could be required,  
13 and Cal Advocates does not oppose such a vehicle. SCE appears amenable to a new  
14 application.<sup>12</sup>

15                   **7. The reasonableness review filing should include a**  
16                   **showing that 2018-2020 recorded costs are**  
17                   **incremental to SCE's 2018 GRC adopted costs and**  
18                   **revenue requirement and any incremental spending**  
19                   **associated with the 2019 Wildfire Mitigation Plan.**

20           This filing requirement is consistent with tariff language ordered in D.19-01-019  
21 Ordering Paragraph 3. It is also consistent with SCE's Application and Testimony.<sup>13</sup>

22                   **8. Traditional reasonableness review standards**  
23                   **should apply; SCE's proposed reasonableness**  
24                   **threshold should not be adopted.**

25           SCE requests that the Commission establish a "reasonableness threshold" to  
26 review recorded GSRP costs.<sup>14</sup> SCE's proposes that the threshold be 115 percent of  
27 forecast GSRP costs, that is, all the costs incurred up to 115 percent of the costs adopted

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<sup>12</sup> SCE Testimony (September 10, 2018), p. 150.

<sup>13</sup> See Application, pp. 2 and 3; SCE Testimony (September 10, 2018), p. 148.

<sup>14</sup> SCE Testimony (September 10, 2018), p. 149.

1 in this proceeding be deemed reasonable, and any costs above 115 percent be subject to a  
2 traditional reasonableness review.<sup>15</sup>

3 SCE's proposal should be rejected, for several reasons. First, SCE's proposal can  
4 only work if there is a two-way balancing account, and Cal Advocates recommends a  
5 one-way balancing account, as discussed above.

6 Second, the Commission should disallow costs from cost recovery if there is  
7 evidence that SCE imprudently spent funds that are part of the 115 percent tranche of  
8 spending. If spending above the 115 percent threshold is subject to traditional  
9 reasonableness review, as SCE states,<sup>16</sup> then all spending should be subject to the same  
10 standard of review.

11 Finally, this proceeding should not be used as a "pilot" for a new, untested metric  
12 for a reasonableness review. Cal Advocates knows of no similar use of a "reasonableness  
13 threshold" as proposed by SCE in this proceeding. Traditional reasonableness review  
14 standards should apply – all costs should be subject to review.

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<sup>15</sup> SCE Testimony (September 10, 2018), pp. 149-150.

<sup>16</sup> SCE Testimony (September 10, 2018), p. 150.

# **APPENDIX A**

## **WITNESS OF QUALIFICATIONS**

1                   **PREPARED TESTIMONY AND QUALIFICATIONS**  
2                                   **OF**  
3                                   **SCOTT LOGAN**

4  
5   My name is Scott J. Logan. My business address is 505 Van Ness Avenue, San  
6   Francisco, California. I am employed by the Public Advocates Office as a Public  
7   Utilities Regulatory Analyst V in the Energy Cost of Service and Natural Gas Branch.

8   I received a Bachelor of Arts degree in Economics from San Francisco State University  
9   in 1985.

10   Since joining the Commission in 1986, I have worked on electricity and energy matters  
11   for ORA, including energy efficiency, resource planning, long-term procurement and  
12   planning (LTPP), transmission planning and Certificate of Public Convenience and  
13   Necessity (CPCN) proceedings for major transmission projects. I have testified in  
14   numerous Commission proceedings. Most recently, I have testified in the San Onofre  
15   Nuclear Generating Station (SONGS) Investigation, the Southern California Edison  
16   Company (SCE) 2015 General Rate Case (GRC), and the Pacific Gas and Electric  
17   Company 2014 GRC. I also produced written testimony in the San Diego Gas & Electric  
18   (SDG&E) 2019 and 2016 GRCs, PG&E's 2017 GRC, SCE's 2018 GRC, and PG&E's  
19   Diablo Canyon Retirement Proceeding.

20   This completes my prepared testimony.